

This listing of claims will replace all prior versions, and listings, of claims in the application.

**Listing of Claims:**

1-40 (Canceled)

41. (Currently amended) A video distribution method performed by a video distribution system, comprising:

- receiving video content from a content provider;
- effecting the distribution of player devices, the player devices including proprietary circuitry configured to decode video content recorded in a proprietary encoded and compressed format;
- establishing communication connections with player devices at remote viewing locations, said player devices configured for reading, decoding, decompressing and watermarking, said player devices also configured for communicating with said video distribution system to permit the player devices to notify said system when a particular video item is viewed using one of the player devices;
- effecting the distribution of video disks to said remote viewing locations, said video disks including a plurality of video items including said video content and recorded in said proprietary encoded and compressed format and designed to be viewed using only said player devices; and

in response to each time a video item is viewed by a consumer using a particular one of said player devices at a remote viewing location, receiving from the particular one of said player devices information identifying the video item viewed and at least one distribution agent associated with the video item viewed;

wherein said effecting the distribution of video disks comprises:

- allowing a first customer to make a copy of one of said video disks and give said copied video disk to a second customer, and
- compensating the first customer when the copied video disk is viewed by the second customer.

42. (Previously Presented) The method according to Claim 41, wherein at least some of

said video disks are produced by the at least one distribution agent.

43. (Canceled)

44. (Previously Presented) The method according to Claim 41, wherein the information identifying the video item viewed and at least one distribution agent associated with the video item viewed is received at a system operator location at defined times.

45. (Canceled)

46. (Previously Presented) The method according to Claim 41, further comprising the act of charging at least one consumer based on the information received at a system operator location.

47. (Previously Presented) The method according to Claim 41, further comprising the act of charging at least one consumer a fee for each time the consumer views the video item.

48. (Previously Presented) The method according to Claim 47, wherein the charging act comprises the act of charging a variable fee depending on when said video item is viewed.

49. (Previously Presented) The method according to Claim 41, wherein:  
the at least one distribution agent is a retail store; and further comprising  
providing an identified copy of the video item to at least one consumer at the retail store, and subsequently receiving said identified copies at the retail store.

50. (Previously Presented) The method according to Claim 41, further comprising distributing said video item to at least one consumer at no charge.

51. (Previously Presented) The method according to Claim 42, further comprising compensating the at least one distribution agent for each time a video item distributed by the agent is viewed.

52. (Previously Presented) The method according to Claim 41, further comprising charging the at least one distribution agent for recordings delivered to the at least one distribution agent.

53-56. (Canceled)

57. (Previously Presented) The method according to Claim 41, wherein at least one consumer is provided a multitude of copies of recorded video disks, and further comprising providing the at least one consumer with a guide identifying the copies provided to the at least one consumer.

58. (Previously Presented) The method according to Claim 57, wherein the act of providing a guide comprises the act of transmitting data to said guide to update information in the guide.

59. (Previously Presented) The method according to Claim 57, wherein the act of providing a guide comprises updating the guide with commercials based on at least one consumer's viewing of the played copies of recorded data.

60. (Previously Presented) A system for distributing recorded digital data, comprising:  
a playback device for playing a first copy of a digital data recording recorded in a proprietary encoded and compressed format designed to be viewed using only said playback device,

wherein the first copy includes data identifying a distribution agent associated with the first copy,

wherein the playback device comprises proprietary circuitry configured to decode the proprietary format and an identification mechanism configured to identify contents of, and the distribution agent associated with, the at least one copy of the recording,

wherein the playback device is configured for reading, decoding, decompressing, watermarking, and for communicating with a video distribution system to permit the playback device to notify said system when a particular recording is viewed, and

wherein the at least one copy includes a plurality of video items recorded in an encoded and compressed format designed to be viewed using only said playback device;

a transmitting mechanism configured to transmit information from the playback device to the system, the information identifying the contents of, and the distribution agent associated with, the at least one copy of the recording played by the at least one playback device, wherein the digital data recording comprises a multitude of data frames having a specified security code, and the at least one playback device comprises a specified circuit to prevent the at least one playback device from outputting data frames not having said specified security code; and

a recording device for a first customer to make a second copy of the digital data recording in a proprietary encoded and compressed format designed to be viewed using only said playback device, wherein the recording device is configured to include data identifying the first customer as a distribution agent associated with the second copy; and wherein the system is configured to compensate the first customer for making the second copy when the second copy is viewed by a second customer.

61. (Previously Presented) The system according to Claim 60, further comprising a receiving mechanism, located at a location of an operator of the video distribution system, configured to receive said information from the at least one playback device, and for using said information to determine compensation for the content provider and the distribution agents.

62. (Previously Presented) The system according to Claim 60, wherein said information is received at the system at defined times from the at least one playback device.

63. (Previously Presented) The system according to Claim 60, wherein information identifying the content of, and the distribution agent associated with, said copy is transmitted from the playback device to the system in response to the playback device playing a copy.

64. (Previously Presented) The system according to Claim 60, wherein the at least one copy is distributed at least in part through a retail store.

65. (Previously Presented) The system according to Claim 60, wherein each distribution agent is compensated for each time at least one copy associated with the distribution agent is played by the at least one playback device.

66. (Previously Presented) The system according to Claim 60, wherein the at least one playback device includes a specified circuit that enables the playback device to play distributed copies of the recording.

67. (Previously Presented) The system according to Claim 60, wherein the at least one copy of the recording is on an optical disk.

68. (Previously Presented) The system according to Claim 60, wherein said recorded digital data is a movie.

69. (Canceled)

70. (Previously Presented) A system for playing, and for monitoring the playing of, digital recordings including content authorized by a content provider, each of the recordings including data identifying an associated distribution agent, wherein the digital recordings are distributed to consumers on video disks each of which includes a plurality of video items recorded in an encoded and compressed format designed to be viewed by the consumer using only a playback device configured with proprietary circuitry, the system comprising:

at least one playback device for playing the recordings, the recordings recorded in a proprietary encoded and compressed format designed to be viewed using only said at least one playback device, the at least one playback device including an identification mechanism configured to identify the distribution agents associated with the recordings, wherein the at least one playback device is configured with proprietary circuitry for reading, decoding, decompressing, watermarking, and decode the proprietary encoded and compressed format, and circuitry for communicating with a video distribution system controller to permit the playback device to notify said system controller when a particular recording is viewed; ~~and~~

a system controller configured to receive from the at least one playback device information identifying the distribution agents associated with the recordings played by the at least one playback device, wherein each of the recordings includes a multitude of data frames having a specified security feature, and the at least one playback device includes circuits to control the at least one playback device so that the at least one playback device is able to output only data frames having the specified security feature; and

at least one playback device for a first customer to make a copy of the recordings recorded in a proprietary encoded and compressed format designed to be viewed using only at least one playback device, wherein the copy of the recordings comprises data identifying the first customer as a distribution agent associated with the copy; and wherein the system controller is configured to compensate the first customer for making the copy when the second copy is viewed by a second customer.

71. (Previously Presented) The system according to Claim 70, wherein the system controller comprises a compensation calculator that uses information received from the at least one playback device to determine compensation for the distribution agents.

72. (Previously Presented) The system according to Claim 70, wherein:  
the at least one playback device further comprises an identification mechanism configured to identify the content of the recordings played by the at least one playback device; and

the system controller comprises a receiving mechanism that is configured to receive from the at least one playback device information identifying the content of the recordings played by the at least one playback device.

73. (Previously Presented) The system according to Claim 72, wherein the system controller comprises a compensation calculator that uses information received from the at least one playback device to determine compensation for the distribution agents and the content provider.

74. (Previously Presented) The system according to Claim 70, wherein each distribution agent is compensated for each time one of the recordings associated with the distribution agent is played by the at least one playback device.

75. (Previously Presented) The system according to Claim 70, wherein the at least one playback device includes a specified circuit that enables the playback device to play the recordings.

76. (Previously Presented) The system according to Claim 70, wherein the recordings are on optical disks.

77. (Previously Presented) The system according to Claim 70, further comprising a multitude of program storage devices readable by the at least one playback device and tangibly embodying programs of instructions executable by the at least one playback device to display guides showing recordings available for play on the at least one playback device.

78. (Previously Presented) The system according to Claim 77, wherein the system controller transmits information to the at least one playback device to update said guides.

79-99. (Canceled)

100. (Previously Presented) An apparatus for playing a first copy of a digital data recording and making a second copy of the first copy, wherein the first and second copies include data identifying a distribution agent associated with the copies and wherein the digital data recording includes a plurality of video items recorded in a proprietary encoded and compressed format designed to be viewed by the consumer using only a playback device configured with proprietary circuitry, said apparatus comprising:

a playback device comprising an identification mechanism configured to identify contents of, and the distribution agent associated with, the first copy of the recording, wherein the playback device is configured with proprietary circuitry for reading, decoding, decompressing, watermarking, and decode the proprietary encoded and compressed format, and circuitry for communicating with a video distribution system operator to permit the playback device to notify said system operator when a particular recording is viewed by the at least one consumer; and

a transmitting mechanism that is configured to communicate with the playback device and is configured to transmit from the playback device to the system operator information identifying the contents of, and the distribution agent associated with, the first copy of the recording played by the playback device, wherein the recorded data includes a multitude of data frames having a specified security code, and the playback device includes a specified circuit to prevent the playback device from outputting data frames not having said specified

security code; and

a recording device for a first customer to make the second copy of the digital data recording recorded on the first copy in a proprietary encoded and compressed format designed to be viewed using only said playback device, wherein the recoding device is configured to include data identifying the first customer as a distribution agent associated with the second copy; and wherein the system is configured to compensate the first customer for making the second copy when the second copy is viewed by a second customer.

101. (Previously Presented) The apparatus of Claim 100, wherein said information is transmitted to the system operator location at defined times from the playback device.

102. (Previously Presented) The apparatus of Claim 100, wherein, when the playback device plays a copy, information identifying the content of, and the distribution agent associated with, said copy is transmitted from the playback device to the system operator location.

103. (Previously Presented) The apparatus of Claim 100, wherein each distribution agent is compensated for each time the copy associated with the distribution agent is played by the playback device.

104. (Previously Presented) The apparatus of Claim 100, wherein the playback device includes a specified circuit that enables the playback device to play distributed copies of the recording.

105. (Previously Presented) The apparatus of Claim 100, wherein the copy of the recording is on an optical disk.

106. (Previously Presented) The apparatus of Claim 100, wherein said recorded digital data is a movie.

107-111. (Canceled)